



# CTC NEWSLETTER



Career Transition Center  
George P. Shultz National Foreign Affairs Training Center  
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## JANUARY 2006

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*"I'm gonna make my world a better place,  
I'm gonna keep that smile on my face,  
I'm gonna teach myself how to understand,  
I'm gonna make myself a better man."*

*- Sung by Keb Mo,  
American blues singer*



*"Be at war with your vices; at peace with your neighbors, and let every new year find you a better man."*

*- Benjamin Franklin,  
American diplomat*

## AFTER THREE YEARS SOLO, A CONSULTANT LOOKS BACK

*By Rob Levinson (Published in "CareerJournal.com,"  
reprinted here with permission of "The Wall Street Journal")*

Three years ago, I was still smarting from another layoff from another dot-com, I had no idea what to do, where to turn or really who I was. (Read the WSJ article: "An Unemployed Executive Finds His Way to Real" at [www.careerjournal.com](http://www.careerjournal.com))

One thing was certain -- despite concerned friends and family and an amazingly patient wife -- I was on my own and had to create a new life. As I segued from full-time marketing employee to independent consultant, I shared my journey with readers.

I look back at what I've learned since 2002, one lesson that stands out is that it's OK to ask for help. That's why I'm offering advice to others who are just starting out. Here's my six-tip "cheat sheet" for newly independent consultants trying to find their own road.

### 1. Enter as an expert.

No one will hire you as a consultant unless you know something he doesn't. Period. Potential is overrated, extreme effort is expected, and "lessons learned" are merely an interesting FYI. A prospective client cares only about aligning himself with a "sure thing," someone able to get the job done on budget, on time and with a positive reflection on him. That's why it's important to simplify your prospect's decision to hire you by researching his marketplace and learning about competitors, so you can note areas for improvement and illustrate exactly how your expertise will solve his problem. If you don't, your competition will, and you can kiss the job goodbye.

## 2. Nurture your network.

My dad was right: It's not what you know, it's who you know. Independent consultants should know as many people as possible. And make as positive an impression on them as possible. But even so, I have seen that sometimes "being there" is enough. For example, at a black-tie fund-raiser, I found myself seated across from an important local business executive. Having her attention over dinner resulted in some high-level introductions that lead to some meaty projects. After that episode, I came to believe that if people see you often enough, they start to believe that you are "somebody" -- or at least have something compelling to sell or tell. The challenge is to be discerning about events you attend, choosing those that allow you to distinguish yourself and meet the people you want to meet. The key is to keep in touch -- email makes it simple -- and not just when you want something.

*"Consultants have credibility because they are not dumb enough to work at your company."*

- Scott Adams, American cartoonist



## 3. Become an authority.

Business people are starving for advice, direction and, especially, the next big idea. If there is an opportunity to write an article, give a lecture or appear at a

function as "the expert" -- grab it. As a public-relations pro, I long ago discovered that if I said something authoritatively enough, many believed me and yearned to hear more. While this revelation does not hold true for my eye-rolling 12-year-old daughter, often others are impressed enough to want to forge a relationship. For instance, I recently spoke at an industry function whose audience was filled with senior executives in higher education. Upon hearing me speak, several requested I tailor my presentation to reach their faculty and staff. Almost instantly, I had a new market requesting my services. At that point, I was no longer selling. In fact, I was in the driver's seat, which is exactly where I want to be.

## 4. Align yourself with winners.

My mother was right: You are judged by the company you keep. So reach out to professionals you aspire to be like, particularly those who are willing to help you move a few rungs up the business food chain. I've learned that even successful, busy people have time for a coffee or lunch. So I am constantly offering both. During these informal meetings, I have forged bonds, developed new business leads and learned important lessons. Among them is that lunch at a nice restaurant can beget projects worth tens of thousands of dollars -- which is exactly what happened when I invited a business consultant to lunch at the Ritz Carlton, spent \$50 on overpriced sandwiches, and later landed a project worth over \$50,000. Now that's a return on investment I can live with.

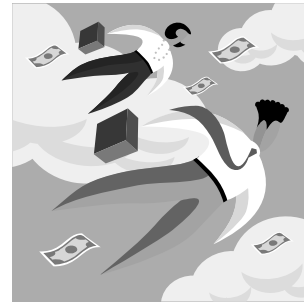


## 5. Know it's OK to feel afraid.

I once liked to do only things I knew I would excel at. As an employee, this was comforting, but, as an independent consultant, it's dangerous. Through no choice of my own, I had to confront my fears and take on new tasks. These included marketing my services, seeking new business, developing proposals, and then servicing clients from project inception to completion. After a few early successes, I discovered that I was pretty good at taking responsibility for my own fortunes. Now I look back at my uncertainty the same way my 5-year-old daughter looks at her old high-chair. "Did I really sit there once?" she asked.

## 6. Value your talent.

For years I secretly envied Ivy League M.B.A.s for their confidence. As a self-taught marketer with a bachelor's in English literature and art history from a small liberal-arts college, I often felt like I faked my way through many a business meeting, using grit and guts to succeed as a marketing consultant. After learning business and marketing fundamentals, I discovered that my real talent -- and differentiator -- is the ability to conceive and implement creative marketing initiatives. It's a talent that you simply cannot be taught. It has to come from within. And I had it. It took a while to stop feeling as if I had a gap in my background. It was only after I started appreciating my accomplishments and stopped comparing myself to others that I hit my stride.



*"Consultant: any ordinary guy more than fifty miles from home."*

*- Eric Sevareid, American journalist*

## EDITOR'S NOTES



Our clients are always asking us how to calculate consulting fees. That is a very difficult question for us to answer because fee calculation methodology and levels vary by industry, profession, location, and other major factors. But, still undaunted, we step into the breach. We have gathered some general guidance here to get you started.

### How To Charge Consulting Fees

Consulting fees can be charged in many different ways, including – but not limited to – the following:

- a flat fee for the entire project or program
- a flat fee plus expenses
- an hourly fee
- a daily fee
- a contingency or performance arrangement
- a value-based fee
- on a retainer basis with a monthly fee

You will need to study your local market to see how other successful consultants in your field are charging and being paid. You may even have to adapt your method of billing to a client's preferences.

However you decide to charge your client, you should probably start by calculating your overhead costs, labor costs, and desired profit in order to set your fee. Obviously, your fee must be competitive -- you don't want to charge more than your competition, especially when you are new to the market. How much you will be able to charge for your services may limit your overhead expenses. You may have to perform all the clerical work and the cleaning, for instance, until you can charge more for your services.



*"Consultants get paid to tell clients what they already know."*

*- Anonymous*

### **Overhead Costs**

"Overhead" includes all the costs you incur to perform your business. It is a good idea to discuss all that overhead entails with other professionals in your field. You may also be able to collect estimates from service providers. Overhead may include some of the following costs:

- Accounting services

- Advertising and marketing
- Bank charges
- Cleaning services
- Clerical services
- Continuing education
- Employees
- Fringe benefits (e.g., health insurance, social security, vacation)
- Insurance (health, life, disability, business, professional liability, tenant, auto, etc.)
- IT miscellaneous, such as DSL lines and website development and maintenance
- Legal services
- License and permit fees
- Miscellaneous, unexpected costs
- Office equipment and furniture
- Office rent and utilities
- Office supplies, including stationery
- Postage and delivery costs
- Preparatory time
- Professional association memberships
- Representational expenses (e.g., 3 martini lunches with prospective clients)
- Subscriptions to professional resources and publications
- Taxes, including the self-employment tax which includes the employee's and the employer's contribution to Social Security — and maybe even a tax consultant!
- Telephones (land-line and cellular, local and long distance), faxes, pagers, answering service
- Trade shows, conventions, conferences, etc.
- Travel time and transportation expenses

### **Labor Costs**

It is very easy for individuals to overesti-

mate or underestimate their worth as a consultant. It is difficult to gain an accurate sense of what you are worth. And that worth may change depending upon the type of work, how long it will take (daily fees are generally lower for longer contracts) and the organization. So, you need to find out what other consultants in your field are earning. Sources of that information could include:

- A professional organization in your field
- A trade association in your industry
- Other consultants in your local market who offer the same or similar services
- Potential clients

As you have heard us say a gazillion times, the primary source of any kind of employment information, including consulting fees, is networking. In other words, the best information will come from others who are consulting in the same sector (private, nonprofit, or public sector) and subject matter (PR, security, political risk analysis, etc.) that you wish to enter.

Consultants within organizations like The World Bank Group have access to the organization's detailed matrices that integrate types of consulting, educational level and years of experience into a daily rate. But, even if an organization has a matrix, getting a copy can be problematic. Your consultant contacts may be willing to share that information or you may be able to find it on the organization's website. But most organizations have nothing of the kind, so their consulting rates can be unpublished, unorganized, and unpredictable.

Self-employed consultants may be reluc-

tant to share fee information with prospective "competition." But, if you can make friends with the competition, they are a wonderful source of information and guidance. They may even refer clients to you when they are too busy or on vacation. The best place to make these friends are through professional organizations and events.

These exchanges with consultants may also help you to gauge your own skill level in comparison to your competition. This is also an important factor to consider when setting your fees.

A more surreptitious method of fee research would be to call another consultant's office to ask what are their fees – without identifying yourself. Alternatively, you could ask a friend to call and inquire.

If you are unable to discover what your competition charges and you have been doing similar work for an employer, then start with your most recent annual salary. Push out of your mind the idea of a daily rate based on your past salary plus some profit. Remember you won't be working regular hours or even every day.

Another important factor to consider in setting your consulting fees is what you need to make. If you have serious financial obligations, you must make enough money to fulfill those obligations.

*"A consultant is someone who saves his client almost enough to pay his fee."*



## Profit

Next, think about profit. Do not include your salary in the profit. Profit is your reward for good work and enables you to expand and develop your business. Many consultants base their profits on a percentage of their total costs (i.e., overhead + labor). The amount of percentage may depend on your profession or your local market. 10% to 20% percentages are common.

## Billable Hours

Then you must figure out how many billable hours you will work in a year. Billable hours do not include time spent on continuing education, professional association meetings, marketing, general administrative tasks like bookkeeping and billing, or annual or sick leave.

## Calculating An Hourly Rate

Much of the literature on consulting fees guides new consultants to this formula:

$$\frac{\text{Overhead costs} + \text{Annual salary} + \text{Profit}}{\text{Number of billable hours in 1 year}} = \text{Hourly rate}$$

Whatever the amount resulting, be sure that it is not too high in comparison to your competition or too low. Very high fees can hurt your business if potential clients can get the same services for less money elsewhere. Very low fees may send the message that you are not as experienced, talented, or reliable as your competition.

## Calculating A Flat Fee

Clients generally like this billing method as there are no surprises. Many consultants do not like this billing method be-

cause, in the course of performing the service or project contracted, they may find surprises.

To protect yourself from those surprises, you can break the project up into clearly defined phases, giving the client a quotation at the beginning of each phase. Breaking the project down into phases may also help you estimate your costs more accurately. As in the calculations for an hourly rate, these calculations involve the costs of overhead, labor, and billable hours.

A consultant can even arrange for the client to pay at the completion of each phase. That way, you can also find out early on if your client is unreliable about payments. On the other hand, if your client doesn't like your work, the client can withdraw at completion of any phase.

Alternatively, if the project will last a predetermined amount of time, then the consultant can break a flat rate up into scheduled payments. If the project duration is one year, the client could make monthly installments on the flat rate.

*"My greatest strength as a consultant is to be ignorant and ask a few questions."*



*- Peter F. Drucker,  
American consultant and author*

## Calculating Contingency or Performance Fees

If a consultant is totally confident that he can increase his client's profits, then he may feel comfortable charging a fee

based on a percentage of those profits. This method comes with some risks. Two of the most obvious are the consultant may not succeed in increasing the profits and the client may not calculate the percentage as agreed. Needless to say, the terms of such an agreement must be very specific and probably involve lawyers.

Some consultants use a variation on this method by charging a flat rate plus a percentage of profits resulting from their work.

### Calculating Value-Based Fees

If a consultant can save his client a considerable amount of money, then he might justify his fee based on that value to his client. The consultant must figure out how much the client would be willing to pay in order to save that much money – i.e., the value of the consultant's service.

### Calculating Retainer Fees

This method involves a set monthly fee for which the client may receive a set measure of work. The measure can be in hours of labor, numbers of services, pages of manuscripts, or other commodity. Many consultants offer discounts to customers paying fees in this manner. Retainer fees guarantee a steady income and may be very attractive to new consultants who are just getting started. Fair warning to those of you just starting out as a consultant — a consultant must be very well known and/or must have a longstanding performance record in that field to be put on retainer.



### Summary

So, these are the factors to consider when you are setting your consulting fees:

- How much money you personally need to meet your obligations
- Your overhead
- Number of billable hours
- How much your competitors are charging
- How much potential clients are willing to pay, including the value of your service to them
- Your skill level, where you fit in the market, what you bring to the table
- Your method of charging fees (hourly, flat rate, etc.)



*"When I asked my accountant if anything could get me out of this mess I am in now he thought for a long time and said, 'Yes, death would help'."*

*- Robert Morley*

### Online Assistance

The Wall Street Journal's CareerJournal website ([www.careerjournal.com](http://www.careerjournal.com)) takes you to SalaryExpert.com which sends you to offers some good information on salary levels for consultants in several general fields in different U.S. cities. You can buy more detailed information from them in "Premium Salary Reports."

BusinessWeek online ([www.businessweek.com](http://www.businessweek.com)) with Salary.com's Salary Wizard tools

([http://swz.salary.com/salarywizard/layouts/scripts/swzl\\_newsearch.asp](http://swz.salary.com/salarywizard/layouts/scripts/swzl_newsearch.asp)) also provides salary information on consultants.

The JobStar ([www.jobstar.org/tools/salary/sal-prof.cfm#Consulting](http://www.jobstar.org/tools/salary/sal-prof.cfm#Consulting)) website offers two sources of consulting salary information.

Be very careful with these – read the fine print -- as some are referring to “consultants” who work as fulltime employees for firms of consultants like Booz Allen Hamilton, not independent consultants.

*“A consultant is someone who takes your watch away to tell you what time it is.”*



*- Ed Finkelstein*

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*"When you hire me,  
you hire a nut who is  
going to work 24  
hours a day for you  
and never, ever burn  
his audience."*

- Howard Stern,  
American radio personality

## JOB LEADS

The following websites offer employment opportunities for consultants.



### **Association of International Consultants** - [www.aic2000.org](http://www.aic2000.org)

"AIC is an independent non-profit making Professional Association providing on a very short notice Companies and International Institutions with Highly Qualified Experts for short-, medium- and long-term assignments."

### **Elance** – [www.elance.com](http://www.elance.com)

On this site a consultant can find projects and bid on them.

### **FreeAgent.com** – [www.freeagent.com](http://www.freeagent.com)

A consultant can find projects on this site as well as good business tips.

### **Guru.com**

Consultants can bid on projects advertised on the site

Consultants can also post their profiles on the site

Free for basic membership

### **Prosavvy** - [www.prosavvy.com](http://www.prosavvy.com)

Offers services to clients and suppliers.  
For the supplier, i.e., the consultant,

these include "pre-scanned project opportunities, exposure to clients with immediate consulting needs, and a "streamlined method for finding and responding to consulting opportunities." Membership required.

### **Top-Consultant.com** – [www.top-consultant.com](http://www.top-consultant.com)

A website that offers articles on consulting as a career and the consulting industry as well as a job board.

They also offer a weekly newsletter for subscription.

Free "job" board, including "Global Opportunities in Consulting"

### **Vault** - [www.vault.com/hubs/502/hubhome\\_502.jsp?ch\\_id=502](http://www.vault.com/hubs/502/hubhome_502.jsp?ch_id=502)

Free consulting job board

Also offers company research, job search advice including salary information, listservs, and articles on the consulting business and related skills.

*"I've got to keep  
breathing. It'll be my  
worst business  
mistake if I don't."*

- Steve Martin,  
American actor &  
author



## ATTENTION JSP GRADS!



### **Special Request**

We would really like to hear your experiences with consulting. We want to include them in the newsletter and can print your accounts with or without your

name. Real-life examples are especially welcome to our newest graduates — and they would be super helpful to our March 2006 Counselors. PLEASE e-mail (pittsa@state.gov), write (FSI/TC/CTC, U.S. Department of State, Washington, D.C. 20522-4201), or call us (703-302-7412)!



*"I'm not  
unemployed!  
I'm a  
consultant."*

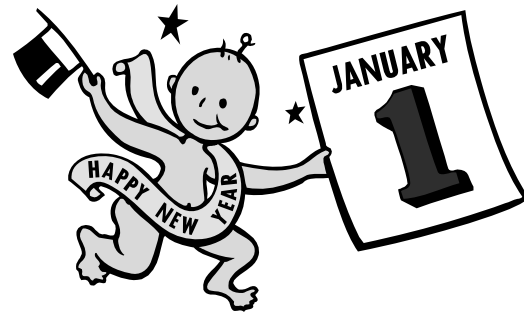
*- Anonymous*

### **Heads Up!**

The January 2006 Foreign Service Journal will focus on "Life and Work After the Foreign Service" and related subjects.

### **Job Fair**

The next CTC Job Fair will be held on March 28, 2006 from 1 to 4 pm in the FSI Field House.



## **CTC NEWSLETTER**

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